

SESSION OF 2018

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2502

As Recommended by House Committee on
Commerce, Labor and Economic Development

Brief*

HB 2502 would provide for newly authorized sales of beer containing no more than 6.0 percent alcohol by volume by cereal malt beverage (CMB) licensees to be subject to state and local sales taxes instead of the state liquor enforcement tax. Pursuant to legislation enacted in 2017, starting on April 1, 2019, CMB licensees will be allowed to sell beer containing no more than 6.0 percent alcohol by volume.

The bill would place CMB licensees under the oversight of the Director of the Alcoholic Beverage Control (ABC) Division, which is within the Department of Revenue. The Director would be permitted to impose a fine, not exceeding \$1,000, for each violation of the Kansas Cereal Malt Beverage Act. Moneys collected from fines would be deposited in the State General Fund.

Finally, the bill would clarify the Director will conduct the market impact study, required by existing law to be submitted to the Legislature following the tenth anniversary of the effective date of the 2017 legislation, using information available to the Director.

Background

The bill was introduced by the House Committee on Commerce, Labor and Economic Development upon the passage of a motion made by Representative Davis.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

During the hearing before the House Committee on Commerce, Labor and Economic Development, representatives of the Kansas Association of Beverage Retailers, the League of Kansas Municipalities (LKM), Casey's General Stores, Inc., and Uncork Kansas spoke in favor of the bill. Additional written-only proponent testimony was provided by representatives of the Kansas Association for Responsible Liquor Laws and the Petroleum Marketers and Convenience Store Association of Kansas. Proponents described the bill as "trailer legislation" to 2017 House Sub. for SB 13, which authorizes convenience and grocery stores to sell beer containing not more than 6.0 percent alcohol by volume, effective April 1, 2019.

There was no opponent testimony.

A representative of the Kansas Association of Beverage Retailers provided neutral testimony on the imposition of a sales tax, reserving the right to change that position if there would be an amendment to the bill. A representative of the ABC Division provided neutral testimony, stating the bill would clarify some issues important to the agency.

According to the fiscal note prepared by the Division of the Budget, in consultation with the departments of Revenue and Transportation, the Kansas Association of Counties (KAC), and LKM, the bill would be expected to reduce liquor enforcement tax receipts by a small but indeterminate amount and increase state and local sales tax receipts by a small but indeterminate amount, effective for certain sales occurring on and after April 1, 2019. The liquor enforcement tax is 8.0 percent, and the state sales tax rate is 6.5 percent. KAC and LKM indicate the bill has the potential to increase local sales tax collections. Any fiscal effect associated with the bill is not reflected in *The FY 2019 Governor's Budget Report*.